

**REPORT OF THE AUDIT OF THE
DAVIESS COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2015**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE DAVISS COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Daviess County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Daviess County Fiscal Court. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Daviess County's major federal programs: Child Support Enforcement (CFDA #93.563).

Financial Condition:

The Daviess County Fiscal Court had total receipts of \$39,163,722 and disbursements of \$58,122,708 in fiscal year 2015. This resulted in a total ending fund balance of \$27,094,379, which is a decrease of \$1,126,611 from the prior year.

Report Comment:

2015-001 The Daviess County Jail Failed To Implement Adequate Internal Controls Over Commissary
 And Inmate Funds

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Al Mattingly, Daviess County Judge/Executive
Members of the Daviess County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Daviess County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Daviess County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 of the financial statement, the financial statement is prepared by Daviess County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Daviess County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Daviess County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Daviess County Fiscal Court. The budgetary comparison schedules, capital asset schedule, and the Schedule of Expenditure of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying budgetary comparison schedules, capital asset schedule, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, capital asset schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statement as a whole.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 07, 2015 on our consideration of Daviess County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Daviess County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs included herein, which discusses the following report comment:

2015-001 The Daviess County Jail Failed To Implement Adequate Internal Controls Over Commissary
 And Inmate Funds

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen
Auditor of Public Accounts

December 07, 2015

DAVIESS COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Al Mattingly	County Judge/Executive
Charlie Castlen	Commissioner
George Wathen	Commissioner
Mike Koger	Commissioner

Other Elected Officials:

Claud Porter	County Attorney
David Osborne	Jailer
David "Oz" Osborne	County Clerk
Susan Tierney	Circuit Court Clerk
Keith Cain	Sheriff
Rachel Foster	Property Valuation Administrator
Jeff Jones	Coroner

Appointed Personnel:

Jim Hendrix	County Treasurer
Marsha Hardesty	Assistant County Treasurer/Human Resource Manager
Jennifer Warren	Fiscal Court Clerk

**DAVISS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS**

For The Year Ended June 30, 2015

DAVIESS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 17,971,334	\$	\$
In Lieu Tax Payments	7,000		
Excess Fees	898,106		
Licenses and Permits	188,463		
Intergovernmental	2,628,713	2,514,114	5,657,044
Charges for Services	144,118		277,214
Miscellaneous	576,250	11,891	526,842
Interest	52,391	5,338	10,322
Total Receipts	<u>22,466,375</u>	<u>2,531,343</u>	<u>6,471,422</u>
DISBURSEMENTS			
General Government	7,088,061		
Protection to Persons and Property	3,782,607		6,881,800
General Health and Sanitation	649,468		
Social Services	420,894		
Recreation and Culture	2,263,248		
Roads		4,599,303	
Airports	220,515		
Bus Services	231,392		
Debt Service			
Capital Projects	504,903		
Administration	1,192,576	(2,365)	(917)
Total Disbursements	<u>16,353,664</u>	<u>4,596,938</u>	<u>6,880,883</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>6,112,711</u>	<u>(2,065,595)</u>	<u>(409,461)</u>
Other Adjustments to Cash (Uses)			
Borrowed Money			
Original Issue Premium			
Underwriter's Discount			
Transfers From Other Funds		1,500,000	900,000
Transfers To Other Funds	(6,485,026)		(375,000)
Total Other Adjustments to Cash (Uses)	<u>(6,485,026)</u>	<u>1,500,000</u>	<u>525,000</u>
Net Change in Fund Balance	(372,315)	(565,595)	115,539
Fund Balance - Beginning	10,999,030	604,269	1,879,103
Fund Balance - Ending	<u>\$ 10,626,715</u>	<u>\$ 38,674</u>	<u>\$ 1,994,642</u>
Composition of Fund Balance			
Bank Balance	\$ 10,989,835	\$ 804,200	\$ 2,058,904
Plus: Deposits In Transit	422	243	
Less: Outstanding Checks	(363,542)	(765,769)	(64,262)
Fund Balance - Ending	<u>\$ 10,626,715</u>	<u>\$ 38,674</u>	<u>\$ 1,994,642</u>

The accompanying notes are an integral part of the financial statement.

DAVIESS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Solid Waste Construction Fund	Solid Waste Operating Fund	Bond Fund	Economic Development Fund
\$	\$	\$	\$	\$
1,192,910		69,610		
		5,299,047		
		122,865		14,400
1,832	6,772	7,974	7,062	4,642
1,194,742	6,772	5,499,496	7,062	19,042
544,432				560,000
	400,000	4,824,057		
715,797				
			21,138,483	
		632	102,663	
1,260,229	400,000	4,824,689	21,241,146	560,000
(65,487)	(393,228)	674,807	(21,234,084)	(540,958)
			15,045,000	
			2,060,578	
			(62,213)	
			4,538,770	300,000
		(525,483)		
		(525,483)	21,582,135	300,000
(65,487)	(393,228)	149,324	348,051	(240,958)
343,036	1,591,071	1,646,331	1,189,073	1,016,979
\$ 277,549	\$ 1,197,843	\$ 1,795,655	\$ 1,537,124	\$ 776,021
\$ 304,193	\$ 1,197,843	\$ 1,933,317	\$ 1,537,124	\$ 776,021
(26,644)		779		
		(138,441)		
\$ 277,549	\$ 1,197,843	\$ 1,795,655	\$ 1,537,124	\$ 776,021

The accompanying notes are an integral part of the financial statement.

DAVIESS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	Budgeted Funds		
	Solid Waste Debt Service Fund	Solid Waste Closure Fund	Solid Waste Post Closure Fund
RECEIPTS			
Taxes	\$	\$	\$
In Lieu Tax Payments			
Excess Fees			
Licenses and Permits			
Intergovernmental			
Charges for Services			
Miscellaneous			
Interest	1,371	21,580	14,368
Total Receipts	1,371	21,580	14,368
DISBURSEMENTS			
General Government			
Protection to Persons and Property			
General Health and Sanitation		3,785	
Social Services			
Recreation and Culture			
Roads			
Airports			
Bus Services			
Debt Service			
Capital Projects			
Administration			
Total Disbursements		3,785	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,371	17,795	14,368
Other Adjustments to Cash (Uses)			
Borrowed Money			
Original Issue Premium			
Underwriter's Discount			
Transfers From Other Funds	400,000	107,565	17,918
Transfers To Other Funds	(384,302)		
Total Other Adjustments to Cash (Uses)	15,698	107,565	17,918
Net Change in Fund Balance	17,069	125,360	32,286
Fund Balance - Beginning	246,926	4,295,156	2,864,815
Fund Balance - Ending	\$ 263,995	\$ 4,420,516	\$ 2,897,101
Composition of Fund Balance			
Bank Balance	\$ 263,995	\$ 4,420,516	\$ 2,897,101
Deposits In Transit			
Less Outstanding Checks			
Ending Fund Balance	\$ 263,995	\$ 4,420,516	\$ 2,897,101

The accompanying notes are an integral part of the financial statement.

DAVIESS COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Unbudgeted Funds			Internal Service Fund
Public Improvement Corporation	Jail Commissary Fund	Total Funds	Heath Insurance Fund
\$	\$	\$ 17,971,334	\$
		7,000	
		898,106	
		188,463	
526,300	403,430	12,992,121	
		5,720,379	
		1,252,248	3,401,226
79	340	134,071	38
<u>526,379</u>	<u>403,770</u>	<u>39,163,722</u>	<u>3,401,264</u>
789,010		8,981,503	
		10,664,407	
		5,877,310	3,484,326
		420,894	
		2,263,248	
	397,169	5,712,269	
		220,515	
		231,392	
815,195		21,953,678	
		504,903	
		1,292,589	
<u>1,604,205</u>	<u>397,169</u>	<u>58,122,708</u>	<u>3,484,326</u>
<u>(1,077,826)</u>	<u>6,601</u>	<u>(18,958,986)</u>	<u>(83,062)</u>
789,010		15,834,010	
		2,060,578	
		(62,213)	
5,558		7,769,811	
		(7,769,811)	
<u>794,568</u>		<u>17,832,375</u>	
(283,258)	6,601	(1,126,611)	(83,062)
1,458,332	86,869	28,220,990	416,127
<u>\$ 1,175,074</u>	<u>\$ 93,470</u>	<u>\$ 27,094,379</u>	<u>\$ 333,065</u>
\$ 1,175,074	\$ 100,061	\$ 28,458,184	\$ 334,248
		1,444	
	(6,591)	(1,365,249)	(1,183)
<u>\$ 1,175,074</u>	<u>\$ 93,470</u>	<u>\$ 27,094,379</u>	<u>\$ 333,065</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Daviess County includes all budgeted and unbudgeted funds under the control of the Daviess County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Budgeted Funds (Continued)

C. Basis of Presentation (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Solid Waste Construction Fund - The primary purpose of this fund is to account for the construction activities of the landfill. The primary sources of revenue are interest income and transfers from Solid Waste Operating Fund.

Solid Waste Operating Fund - The primary purpose of this fund is to account for the activities of the landfill. The primary sources of revenue for this fund are from charges to customers for tipping fees.

Bond Fund - The primary purpose of this fund is to account for the activities of the County's long-term debt. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Economic Development Fund - The primary purpose of this fund is to account for the activities of the County's effort for economic development. The primary sources of revenue for this fund are from transfers from the general fund.

Solid Waste Debt Service Fund - The primary purpose of this fund is to account for the debt activity related to the landfill. The primary sources of revenues are interest income and transfers from Solid Waste Operating Fund.

Solid Waste Closure Fund - The primary purpose of this fund is to account for the expenditures related to closure of the landfill. The primary sources of revenue are interest income and transfers from Solid Waste Operating Fund.

Solid Waste Post Closure Fund - The primary purpose of this fund is to account for the expenditures related to post closure of the landfill. The primary sources of revenue are interest income and transfers from Solid Waste Operating Fund.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Improvement Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of revenue bonds that were issued to fund construction of public buildings.

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Unbudgeted Funds (Continued)

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

The State Local Finance Officer does not require the Public Improvement Corporation Fund or the General Obligation Bond to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Daviess County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Daviess County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Daviess County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Jail Fund	Solid Waste Operating Fund	Solid Waste Debt Service Fund	Total Transfers In
Road Fund	\$ 1,500,000	\$	\$	\$	\$ 1,500,000
Jail Fund	900,000				900,000
Bond Fund	3,779,468	375,000		384,302	4,538,770
Solid Waste Debt Service Fund			400,000		400,000
Solid Waste Closure			17,918		17,918
Solid Waste Post Closure			107,565		107,565
Economic Development Fund	300,000				300,000
Public Improvement Corporation Fund	5,558				5,558
Total Transfers Out	<u>\$ 6,485,026</u>	<u>\$ 375,000</u>	<u>\$ 525,483</u>	<u>\$ 384,302</u>	<u>\$ 7,769,811</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2015 was \$54,726.

Road Escrow Fund – This fund accounts for funds received from road bonds and held until the bonds are released. The balance in the Road Escrow Fund as of June 30, 2015 was \$187,766.

Note 5. Receivables

A. Audubon Area Community Services Inc.

The Daviess County Public Improvement Corporation entered into a bond issue on December 28, 2007 to finance the acquisition, construction, installation and equipping of a facility to be leased to the Audubon Area Services, Inc. in the furtherance of its educational purposes, all to benefit of the residents of the county.

The Corporation and Audubon Area Community Services, Inc. (AACSI) have entered into a lease, dated December 1, 2007, whereby the AACSI makes semi-annual payments directly to the Public Improvement Corporation to fully fund the debt service for the bond issue. The receivable reflects the principal amount due from the AACSI of \$4,280,000 outstanding as of June 30, 2015. The amount receivable corresponds to the AACSI liability outstanding as of the end of the fiscal year. (See Note 6 (B) for disclosures related to the AACSI liability.)

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Receivables (Continued)

B. Green River Area Development District

The County of Daviess entered into a lease agreement with Old National Bank on June 18, 2015, to refinance Green River Area Development District's Mortgage Revenue Bonds, Series 2012. The County and the Green River Area Development District (GRADD) have entered into a sub-lease, dated June 18, 2015, whereby the GRADD makes semi-annual payments directly to the Old National Bank to fully fund the debt service for the lease agreement. Interest is calculated at 2.80% per annum. The receivable reflects the principal amount due from GRADD of \$789,010 outstanding as of June 30, 2015. The amount receivable corresponds to the GRADD liability outstanding as of the end of the fiscal year. (See Note 6 (I) for disclosures related to the GRADD liability.)

Note 6. Long-term Debt

A. First Mortgage Refunding Revenue Bonds, Series 1994A

The Daviess County Public Improvement Corporation entered into a bond issue on July 1, 1994 for the purpose of 1) paying the entire principal and interest of the Daviess County, Kentucky Judicial Center Building and Improvement Revenue Bonds, Series 1989 (the "Prior Bonds"); 2) to fund a Debt Service Reserve Fund; 3) to pay for the costs of issuance of Bonds; and 4) to pay for certain costs of equipment to be purchased by the County. The Daviess County Public Improvement Corporation First Mortgage Refunding and Revenue Bonds, Series 1994A were issued July 1, 1994, for \$4,270,000. The Daviess County Public Improvement Corporation entered into a sublease with the Administrative Office of the Courts (AOC), whereby the AOC makes semi-annual payments directly to the bonding agent to partially fund the debt service for the bond issue. The bond issue was paid in full as of June 30, 2015.

B. First Mortgage Revenue Bonds (Audubon Area Community Services Inc. Project), Series 2007

The Daviess County Public Improvement Corporation entered into a bond issue on December 28, 2007 to finance the acquisition, construction, installation and equipping of a facility to be leased to the Audubon Area Services, Inc., in the furtherance of its educational purposes, all to benefit of the residents of the county

The Corporation and Audubon Area Community Services, Inc., have entered into a lease, dated December 1, 2007, whereby the Audubon Area Community Services, Inc., makes semi-annual payments directly to the Public Improvement Corporation to fully fund the debt service for the bond issue.

The bonds bear interest rates ranging from 4.75% to 4.8%. Interest on the bonds is payable each January 1 and July 1, beginning July 1, 2008. The bonds will mature as to principal on January 1, 2028. The principal amount of bonds outstanding as of June 30, 2015 was \$4,280,000. Future principal and interest requirements are:

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

B. First Mortgage Revenue Bonds (Audubon Area Community Services Inc. Project), Series 2007 (Continued)

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 245,000	\$ 203,195
2017	255,000	192,278
2018	270,000	180,165
2019	280,000	167,340
2020	295,000	154,040
2021-2025	1,705,000	545,763
2026-2028	1,230,000	120,000
Totals	<u>\$ 4,280,000</u>	<u>\$ 1,562,781</u>

C. General Obligation Taxable General Obligation Build America, Recovery Zone Economic Development and General Obligation Refunding Bonds, Series 2010 (A,B,C)

The County of Daviess entered into a bond issue, County of Daviess, Kentucky Taxable General Obligation Build America Bonds, Taxable General Obligation Recovery Zone Economic Development Bonds and General Obligation Refunding Bonds, Series 2010 dated on January 12, 2010. The Tax-Exempt Bonds were being issued for the purpose of (i) refunding the outstanding principal amount of the County's General Obligation Public Project Bonds, Series 1999 (Solid Waste System Project) (the "Series 1999 Bonds"), the proceeds of which were used to finance improvements to the County's solid waste system (the "1999 Project"); and (ii) paying the costs of issuing the Tax-Exempt Bonds. The Taxable Bonds were issued for the purpose of (i) financing the acquisition, construction and installation of additional improvements to the County's solid waste system (the "Solid Waste Project"); (ii) financing the acquisition of real property and the construction, installation and equipping of a convention center (the "Convention Center Project," and together with the 1999 Project and the Solid Waste Project, the "Project"); and (iii) paying the costs of issuing the Taxable Bonds. The issue amount of the bonds was \$24,105,000. The Taxable Bonds were dated the date of delivery and bear interest at the rates set forth, payable semi-annually on February 1 and August 1, commencing August 1, 2010. The record dates for February 1 and August 1 interest payment dates shall be the preceding January 15 and July 15, respectively. The Tax-Exempt Bonds bear interest at the rates set forth, payable semi-annually on April 1 and October 1, commencing April 1, 2010. The record dates for April 1 and October 1 interest payment dates shall be the preceding March 15 and September 15, respectively. Interest on the Build America Bonds range from 1.50% to 5.75%, interest on the Recovery Zone Economic Development Bonds is 5.80% and interest on the refunding bonds is 2.0%, the agreement is to be paid in full by April 1, 2030. The Landfill Refunding-(Part C) part of the bonds was paid off in fiscal year 2014. The Landfill construction and Convention Center Construction (Parts A-1 and A-2) were 100% refunded by the Series 2014 Refunding Bonds (See Note 6 (H)). The Convention Center Recovery (Part B) principal amount of bonds outstanding as of June 30, 2015 was \$980,000. Future principal and interest requirements are:

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

C. General Obligation Taxable General Obligation Build America, Recovery Zone Economic Development and General Obligation Refunding Bonds, Series 2010 (A,B,C) - (Continued)

Fiscal Year Ended June 30	Principal	Interest
2016	\$	\$ 56,840
2017		56,840
2018		56,840
2019		56,840
2020		56,840
2021-2025		284,200
2026-2030	980,000	284,200
	<u>\$ 980,000</u>	<u>\$ 852,600</u>

D. General Obligation Refunding Bonds, Series 2010D

The County of Daviess entered into a bond issue, County of Daviess, General Obligation Refunding Bonds, Series 2010D for the purpose of (i) refunding and retiring the County's Lease Agreement with the Kentucky Association of Counties Leasing Trust, dated as of November 25, 2008, the proceeds of which were used to finance the construction and renovation of the Western Kentucky University Administration and Education Building (the project); and (ii) paying the costs of issuing the Bonds. The aforementioned lease was paid in full.

The bonds bear interest varying from 1.25% to 3.625% and are payable semi-annually on April 1, and October 1. The principal outstanding as of June 30, 2015, was \$3,315,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 515,000	\$ 92,919
2017	525,000	79,906
2018	545,000	64,513
2019	560,000	47,937
2020	575,000	30,553
2021	595,000	10,784
	<u>\$ 3,315,000</u>	<u>\$ 326,612</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

E. General Obligation Refunding Bonds, Series 2012A

Daviess County Fiscal Court issued \$6,515,000 General Obligation Refunding Bonds, Series 2012 dated August 22, 2012 for the purpose of refunding and retiring a portion of the General Obligation Public Project Refunding and Improvement Bonds, Series 2003A. Principal payments are due each year on September 1, in amounts indicated below. The first principal payment was March 1, 2013. Interest rates ranging from 1.00% to 2.25% on the bonds is payable each March 1 and September 1, beginning March 1, 2013. The principal balance outstanding for the bond issue as of June 30, 2015 was \$5,935,000. Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 375,000	\$ 111,663
2017	380,000	107,887
2018	385,000	102,138
2019	395,000	94,337
2020	400,000	86,388
2021-2025	2,130,000	307,237
2026-2029	<u>1,870,000</u>	<u>82,981</u>
	<u>\$ 5,935,000</u>	<u>\$ 892,631</u>

F. General Obligation Refunding Bonds, Series 2012B

Daviess County Fiscal Court issued \$1,700,000 General Obligation Refunding Bonds, Series 2012 dated August 22, 2012 for the purpose of refunding and retiring a portion of the General Obligation Public Project Refunding and Improvement Bonds, Series 2003B. Principal payments are due each year on September 1, in amounts indicated below. The first principal payment started March 1, 2013. Interest rates ranging from 1.00% to 2.25% on the bonds is payable each March 1 and September 1, beginning March 1, 2013. The principal balance outstanding for the bond issue as of June 30, 2015 was \$1,545,000. Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 95,000	\$ 29,387
2017	100,000	28,413
2018	105,000	26,862
2019	100,000	24,813
2020	105,000	22,762
2021-2025	555,000	81,313
2026-2029	<u>485,000</u>	<u>21,694</u>
	<u>\$ 1,545,000</u>	<u>\$ 235,244</u>

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

G. Airport

The Daviess County Fiscal Court entered into a sublease agreement with the City of Owensboro, Kentucky for the purpose of funding debt service – Airport Revenue Bonds – related to the expansion of the Owensboro-Daviess County Airport. The sublease was entered into on June 1, 1995. Under the terms of the sublease agreement, the County agreed to lease certain airport servitude aviation easements and other property and improvements for one half of the base rentals. The County's portion was subsequently reduced to 42.34%. Any additional rentals are due to be paid by the City of Owensboro, Kentucky under its sublease agreement. During the fiscal year ended June 30, 2009 the City of Owensboro refinanced the bonds relating to this project. The bonds bear an interest rate of 3.6%. The County entered into a new sublease agreement with the City of Owensboro which reduced the County's percentage of the debt to 42.24%. The County's share of principal on the retired bonds was \$1,375,000. The County's share of principal on the new bonds was \$1,077,120 at the time of issue. This resulted in a decrease in debt of \$297,880. This sublease agreement was paid in full as of June 30, 2015.

H. General Obligation Refunding Bonds, Series 2014

The County of Daviess entered into a bond issue, \$15,045,000 General Obligation Refunding Bonds, Series 2014 on December 23, 2014. The Bonds are being issued for the purpose of: (i) refunding and retiring the County's Taxable General Obligation Build America Bonds, Series 2010 parts A-1 and A-2, dated as of January 29, 2010. The Bonds shall be dated their date of delivery and bear interest from their dated date at the rates set forth on the cover hereof, payable semi-annually on February 1 and August 1, commencing February 1, 2015, calculated on the basis of a 360 day year with 30 day months. The record dates for February 1 and August 1 interest payment dates shall be the preceding January 15 and July 15, respectively. The principal balance outstanding for the bond issue as of June 30, 2015 was \$13,125,000. Future debt service requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,525,000	\$ 656,250
2017	1,600,000	580,000
2018	1,315,000	500,000
2019	1,380,000	434,250
2020	1,445,000	365,250
2021-2024	<u>5,860,000</u>	<u>700,750</u>
	<u>\$ 13,125,000</u>	<u>\$ 3,236,500</u>

I. Green River Area Development District

The County of Daviess entered into a lease agreement with Old National Bank on June 18, 2015, to refinance Green River Area Development District's Mortgage Revenue Bonds, Series 2012. The County and the Green River Area Development District (GRADD) have entered into a sub-lease, dated June 18, 2015, whereby the GRADD makes semi-annual payments directly to the Old National Bank to fully fund the debt service for the lease agreement. Interest is calculated at 2.80% per annum. The principal balance outstanding for the lease as of June 30, 2015 was \$789,010. Future debt service requirements are:

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

I. Green River Area Development District (Continued)

Fiscal Year Ended June 30	Principal	Interest
2016	\$ 21,344	\$ 11,046
2017	43,588	21,192
2018	44,817	19,963
2019	46,081	18,699
2020	47,380	17,400
2021-2025	257,709	66,190
2026-2030	296,148	27,751
2031	31,943	447
	<u>\$ 789,010</u>	<u>\$ 182,688</u>

J. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 18,420,000	\$	\$ 17,440,000	\$ 980,000	\$
Revenue Bonds	4,515,000		235,000	4,280,000	245,000
Refunding Bonds	11,775,000	15,045,000	2,900,000	23,920,000	2,510,000
Financing Obligations	126,720	789,010	126,720	789,010	21,344
Long-term Liabilities	<u>\$ 34,836,720</u>	<u>\$ 15,834,010</u>	<u>\$ 20,701,720</u>	<u>\$ 29,969,010</u>	<u>\$ 2,776,344</u>

Note 7. Landfill Closure and Post-Closure Costs

The County operates a landfill in West Daviess County, Kentucky. The County must comply with established state and federal landfill operating, closure, and post-closure procedures. The landfill opened in January 1996, with an estimated life of 21.67 years. The landfill was granted an expansion effective February 2004, which increased its estimated useful life to 50 years. As of February 17, 2015, the estimated remaining life of the landfill is 56.00 years. Estimated closure costs total \$7,380,245 and estimated post-closure care costs total \$2,970,000 or \$99,000 per year. Estimates are based upon 2012 projections; actual costs may be higher due to inflation, changes in technology, or changes in regulations.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 7. Landfill Closure and Post-Closure Costs (Continued)

Daviess County prepares required financial statements on the regulatory basis of accounting in accordance with the laws of Kentucky, therefore no liability has been recognized for the closure or post-closure costs. State and federal laws and regulations require for the fiscal court to provide financial assurance that landfill closure and post-closure care costs are properly funded. In order to meet financial assurance requirements, the fiscal court reserves a portion of the landfill receipts for landfill closure and post-closure care. For every ton deposited into the County's contained landfill, \$1 is transferred from the Solid Waste Operating Fund into the Solid Waste Closure Fund and \$0.25 is transferred into the Solid Waste Post-Closure Fund. At June 30, 2015, the Solid Waste Closure Fund had a balance of \$4,420,516 and the Solid Waste Post-Closure Fund had a balance of \$2,897,101.

Note 8. Commitments and Contingencies

The County is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant; in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

Note 9. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous *and hazardous duty* positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 34.31 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (nonhazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

DAVIESS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 9. Employee Retirement System (Continued)

A. Plan Description (Continued)

The county's contribution for FY 2013 was \$2,280,841, FY 2014 was \$2,179,172, and FY 2015 was \$2,200,255.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 9. Employee Retirement System (Continued)

B. Net Pension Liability

As promulgated by GASB Statements No. 67 and 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The net pension liability for employers participating in CERS is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, KRS has determined that Daviess County's proportionate share of the net pension liability is \$7,344,000 for non-hazardous and \$7,918,000 for hazardous for a total of \$15,262,000 as of June 30, 2015. The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

Note 10. Deferred Compensation

The Daviess County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 11. Health Reimbursement Account/Flexible Spending Account

The Fiscal Court established a flexible spending account on January 1, 2012 to provide employees an additional health benefit. The County has contracted with Eflexgroup (TASC), a third-party administrator, to administer the plan. The plan was amended January 1, 2014. The plan provides a debit card to eligible employees who waive insurance coverage, providing \$500 each year to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds up to \$2,500 through payroll deduction. The balance of the plan is \$34,765, which is included in the Health Insurance Fund cash balance.

Note 12. Insurance

For the fiscal year ended June 30, 2015, Daviess County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

DAVISS COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 13. Self Insurance Fund

Daviess County Fiscal Court elected to begin a partially self-funded health insurance plan in April 2002. This partially self-funded insurance plan covers all employees. For employees hired prior to January 1, 2008 the county pays for 88% of each employees benefits and the employee contributes the remaining 12%; for employees hired after January 1, 2008 the county pays 85% of each employees benefits and the employee pays the remaining 15%. Daviess County elected to purchase a stop-loss insurance policy from Anthem to cover losses from individual and aggregate claims once the county reached the individual and aggregate attachment points. Employees are required to assume liability for claims in excess of maximum lifetime reimbursements established by the insurance company.

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Incurred fixed costs for fiscal year ending June 30, 2015 were \$486,321. The second component is the claims cost, all of which Daviess County is responsible to pay as they incur. Once an individual exceeds \$100,000 in claims or the County's aggregate claims exceed the predetermined maximum, then the County will receive reimbursements from the reinsurance carrier. Incurred claims for fiscal year ended June 30, 2015 were \$2,957,884. Daviess County Fiscal Court's contract with Anthem Blue Cross and Blue Shield has no terminal liability provision. The Court would be responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$333,065 as of June 30, 2015.

Note 14. Related Party Transactions

In August 2015, the Daviess County Fiscal Court – Economic Development Fund gave a \$300,000 grant to Hollison Technologies. Commissioner Mike Koger is a minority shareholder in this company. Commissioner Koger removed himself from the Fiscal Court vote approving the grant.

Note 15. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Daviess County Fiscal Court's name as issuer, the Fiscal Court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the Fiscal Court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

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DAVIESS COUNTY
BUDGRTARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 16,514,000	\$ 16,514,000	\$ 17,971,334	\$ 1,457,334
In Lieu Tax Payments	1,500	1,500	7,000	5,500
Excess Fees	900,000	900,000	898,106	(1,894)
Licenses and Permits	196,000	196,000	188,463	(7,537)
Intergovernmental	2,779,300	2,779,300	2,628,713	(150,587)
Charges for Services	120,000	120,000	144,118	24,118
Miscellaneous	164,600	164,600	576,250	411,650
Interest	40,000	40,000	52,391	12,391
Total Receipts	20,715,400	20,715,400	22,466,375	1,750,975
DISBURSEMENTS				
General Government	7,987,699	8,147,009	7,088,061	1,058,948
Protection to Persons and Property	3,384,167	3,981,067	3,782,607	198,460
General Health and Sanitation	632,286	687,686	649,468	38,218
Social Services	392,173	458,173	420,894	37,279
Recreation and Culture	2,166,552	2,511,402	2,263,248	248,154
Airports	220,916	220,916	220,515	401
Bus Services	300,000	300,000	231,392	68,608
Debt Service	30,000	30,000		30,000
Capital Projects	284,500	523,600	504,903	18,697
Administration	8,478,794	7,017,234	1,192,576	5,824,658
Total Disbursements	23,877,087	23,877,087	16,353,664	7,523,423
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
	(3,161,687)	(3,161,687)	6,112,711	9,274,398
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	500,000	500,000		(500,000)
Transfers To Other Funds	(7,038,313)	(7,038,313)	(6,485,026)	553,287
Total Other Adjustments to Cash (Uses)	(6,538,313)	(6,538,313)	(6,485,026)	53,287
Net Change in Fund Balance				
	(9,700,000)	(9,700,000)	(372,315)	9,327,685
Fund Balance Beginning	9,700,000	9,700,000	10,999,030	1,299,030
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,626,715	\$ 10,626,715

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 3,095,777	\$ 3,095,777	\$ 2,514,114	\$ (581,663)
Miscellaneous	11,500	11,500	11,891	391
Interest	5,000	5,000	5,338	338
Total Receipts	3,112,277	3,112,277	2,531,343	(580,934)
DISBURSEMENTS				
Roads	4,891,890	4,891,890	4,599,303	292,587
Administration	1,000	1,000	(2,365)	3,365
Total Disbursements	4,892,890	4,892,890	4,596,938	295,952
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,780,613)	(1,780,613)	(2,065,595)	(284,982)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,430,613	1,430,613	1,500,000	69,387
Total Other Adjustments to Cash (Uses)	1,430,613	1,430,613	1,500,000	69,387
Net Change in Fund Balance	(350,000)	(350,000)	(565,595)	(215,595)
Fund Balance Beginning	350,000	350,000	604,269	254,269
Fund Balance - Ending	\$ 0	\$ 0	\$ 38,674	\$ 38,674

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 4,911,800	\$ 4,911,800	\$ 5,657,044	\$ 745,244
Charges for Services	314,000	314,000	277,214	(36,786)
Miscellaneous	430,000	430,000	526,842	96,842
Interest	10,000	10,000	10,322	322
Total Receipts	5,665,800	5,665,800	6,471,422	805,622
DISBURSEMENTS				
Protection to Persons and Property	7,644,500	7,669,500	6,881,800	787,700
Administration	26,000	1,000	(917)	1,917
Total Disbursements	7,670,500	7,670,500	6,880,883	789,617
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,004,700)	(2,004,700)	(409,461)	1,595,239
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(375,000)	(375,000)	(375,000)	
Transfers From Other Funds	1,379,700	1,379,700	900,000	(479,700)
Total Other Adjustments to Cash (Uses)	1,004,700	1,004,700	525,000	(479,700)
Net Change in Fund Balance	(1,000,000)	(1,000,000)	115,539	1,115,539
Fund Balance Beginning	1,000,000	1,000,000	1,879,103	879,103
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,994,642	\$ 1,994,642

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,397,800	\$ 1,397,800	\$ 1,192,910	\$ (204,890)
Interest	1,000	1,000	1,832	832
Total Receipts	1,398,800	1,398,800	1,194,742	(204,058)
DISBURSEMENTS				
General Government	797,800	792,800	544,432	248,368
Roads	711,000	716,000	715,797	203
Total Disbursements	1,508,800	1,508,800	1,260,229	248,571
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(110,000)	(110,000)	(65,487)	44,513
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	500,000	500,000		(500,000)
Transfers To Other Funds	(500,000)	(500,000)		500,000
Total Other Adjustments to Cash (Uses)				
Net Change in Fund Balance	(110,000)	(110,000)	(65,487)	44,513
Fund Balance Beginning	110,000	110,000	343,036	233,036
Fund Balance - Ending	\$ 0	\$ 0	\$ 277,549	\$ 277,549

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SOLID WASTE CONSTRUCTION FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 1,500	\$ 1,500	\$ 6,772	\$ 5,272
Total Receipts	1,500	1,500	6,772	5,272
DISBURSEMENTS				
General Health and Sanitation	801,500	801,500	400,000	401,500
Recreation and Culture	700,000	700,000		700,000
Total Disbursements	1,501,500	1,501,500	400,000	1,101,500
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,500,000)	(1,500,000)	(393,228)	1,106,772
Net Change in Fund Balance	(1,500,000)	(1,500,000)	(393,228)	1,106,772
Fund Balance Beginning	1,500,000	1,500,000	1,591,071	91,071
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,197,843	\$ 1,197,843

DAVISS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SOLID WASTE OPERATING FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 1,000	\$ 1,000	\$	\$ (1,000)
Intergovernmental	71,000	71,000	69,610	(1,390)
Charges for Services	5,535,000	5,535,000	5,299,047	(235,953)
Miscellaneous	120,000	120,000	122,865	2,865
Interest	10,000	10,000	7,974	(2,026)
Total Receipts	5,737,000	5,737,000	5,499,496	(237,504)
DISBURSEMENTS				
Protection to Persons and Property	6,025,477	6,025,477	4,824,057	1,201,420
Administration	131,523	131,523	632	130,891
Total Disbursements	6,157,000	6,157,000	4,824,689	1,332,311
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(420,000)	(420,000)	674,807	1,094,807
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(580,000)	(580,000)	(525,483)	54,517
Total Other Adjustments to Cash (Uses)	(580,000)	(580,000)	(525,483)	54,517
Net Change in Fund Balance	(1,000,000)	(1,000,000)	149,324	1,149,324
Fund Balance Beginning	1,000,000	1,000,000	1,646,331	646,331
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,795,655	\$ 1,795,655

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

BOND FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 1,000	\$ 1,000	\$ 7,062	\$ 6,062
Total Receipts	1,000	1,000	7,062	6,062
DISBURSEMENTS				
Debt Service	4,107,000	4,107,000	21,138,483	(17,031,483)
Administration	7,000	7,000	102,663	(95,663)
Total Disbursements	4,114,000	4,114,000	21,241,146	(17,127,146)
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,113,000)	(4,113,000)	(21,234,084)	(17,121,084)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	4,103,000	4,103,000	4,538,770	435,770
Bond Proceeds			15,045,000	15,045,000
Original Issue Premium			2,060,578	2,060,578
Underwriter's Discount			(62,213)	(62,213)
Total Other Adjustments to Cash (Uses)	4,103,000	4,103,000	21,582,135	17,479,135
Net Change in Fund Balance	(10,000)	(10,000)	348,051	358,051
Fund Balance Beginning	10,000	10,000	1,189,073	1,179,073
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,537,124	\$ 1,537,124

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

ECONOMIC DEVELOPMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$	\$ 14,400	\$ 14,400
Interest	4,000	4,000	4,642	642
Total Receipts	4,000	4,000	19,042	15,042
DISBURSEMENTS				
General Government	1,004,000	1,004,000	560,000	444,000
Total Disbursements	1,004,000	1,004,000	560,000	444,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,000,000)	(1,000,000)	(540,958)	459,042
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			300,000	300,000
Total Other Adjustments to Cash (Uses)			300,000	300,000
Net Change in Fund Balance	(1,000,000)	(1,000,000)	(240,958)	759,042
Fund Balance Beginning	1,000,000	1,000,000	1,016,979	16,979
Fund Balance - Ending	\$ 0	\$ 0	\$ 776,021	\$ 776,021

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SOLID WASTE DEBT SERVICE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 2,000	\$ 2,000	\$ 1,371	\$ (629)
Total Receipts	2,000	2,000	1,371	(629)
DISBURSEMENTS				
Debt Service	452,000	452,000		452,000
Total Disbursements	452,000	452,000		452,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(450,000)	(450,000)	1,371	451,371
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	400,000	400,000	400,000	
Transfers To Other Funds			(384,302)	(384,302)
Total Other Adjustments to Cash (Uses)	400,000	400,000	15,698	(384,302)
Net Change in Fund Balance	(50,000)	(50,000)	17,069	67,069
Fund Balance Beginning	50,000	50,000	246,926	196,926
Fund Balance - Ending	\$ 0	\$ 0	\$ 263,995	\$ 263,995

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SOLID WASTE CLOSURE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 25,000	\$ 25,000	\$ 21,580	\$ (3,420)
Total Receipts	25,000	25,000	21,580	(3,420)
DISBURSEMENTS				
General Health and Sanitation	575,000	575,000	3,785	571,215
Administration	3,694,000	3,694,000		3,694,000
Total Disbursements	4,269,000	4,269,000	3,785	4,265,215
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(4,244,000)	(4,244,000)	17,795	4,261,795
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	144,000	144,000	107,565	(36,435)
Total Other Adjustments to Cash (Uses)	144,000	144,000	107,565	(36,435)
Net Change in Fund Balance	(4,100,000)	(4,100,000)	125,360	4,225,360
Fund Balance Beginning	4,100,000	4,100,000	4,295,156	195,156
Fund Balance - Ending	\$ 0	\$ 0	\$ 4,420,516	\$ 4,420,516

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

SOLID WASTE POST CLOSURE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 14,000	\$ 14,000	\$ 14,368	\$ 368
Total Receipts	14,000	14,000	14,368	368
DISBURSEMENTS				
Administration	2,850,000	2,850,000		2,850,000
Total Disbursements	2,850,000	2,850,000		2,850,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,836,000)	(2,836,000)	14,368	2,850,368
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	36,000	36,000	17,918	(18,082)
Total Other Adjustments to Cash (Uses)	36,000	36,000	17,918	(18,082)
Net Change in Fund Balance	(2,800,000)	(2,800,000)	32,286	2,832,286
Fund Balance Beginning	2,800,000	2,800,000	2,864,815	64,815
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,897,101	\$ 2,897,101

DAVIESS COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

HEALTH INSURANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 3,700,000	\$ 3,700,000	\$ 3,401,226	\$ (298,774)
Interest	100	100	38	(62)
Total Receipts	3,700,100	3,700,100	3,401,264	(298,836)
DISBURSEMENTS				
General Health and Sanitation	3,701,100	3,701,100	3,484,326	216,774
Total Disbursements	3,701,100	3,701,100	3,484,326	216,774
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,000)	(1,000)	(83,062)	(82,062)
Net Change in Fund Balance	(1,000)	(1,000)	(83,062)	(82,062)
Fund Balance Beginning	1,000	1,000	416,127	415,127
Fund Balance - Ending	\$ 0	\$ 0	\$ 333,065	\$ 333,065

DAVIESS COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Disbursements Over Appropriations

Bond Fund Debt Service and Administration line items exceeded budgeted appropriations by \$17,127,146. The County did not include these transactions on the fourth quarter financial statement. However the transactions were included with similar Public Improvement Corporation disbursements on a separate financial statement that was remitted to the State Local Finance Officer.

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DAVISS COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

DAVIESS COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 4,984,503	\$ 170,392	\$	\$ 5,154,895
Construction In Progress	40,621	52,500	40,621	52,500
Land Improvements	14,417,100	129,740		14,546,840
Buildings	36,131,116	75,721		36,206,837
Vehicles and Equipment	17,455,142	1,510,261	752,656	18,212,747
Infrastructure	112,789,203	1,385,271		114,174,474
	<u>112,789,203</u>	<u>1,385,271</u>	<u></u>	<u>114,174,474</u>
Total Capital Assets	<u>\$185,817,685</u>	<u>\$ 3,323,885</u>	<u>\$ 793,277</u>	<u>\$ 188,348,293</u>

DAVIESS COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 50,000	10-25
Buildings and Building Improvements	\$ 50,000	10-40
Vehicles and Equipment	\$ 15,000	5-10
Infrastructure	\$ 55,000	10-50

DAVISS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2015

DAVIESS COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2015

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures
<u>U. S Department of Housing and Urban Development</u>			
<i>Passed-Through State Department for Local Government:</i>			
14.228	Community Development Block Grants/State's Program	14-006	\$ 250,000
Total U.S. Department of Housing and Urban Development			250,000
<u>U.S. Department of Justice</u>			
<i>Passed-Through State Department of Justice:</i>			
16.575	Crime Victims Assistance	VOCA-2014-Crime Vi-0040	\$ 27,000
Total U.S. Department of Justice			27,000
<u>U.S. Department of Health and Human Services</u>			
<i>Passed-Through State Cabinet for Families and Children</i>			
93.563	Child Support Enforcement	1400004325 **	\$ 607,497
Total U.S. Department of Energy			607,497
<u>U.S. Department of Homeland Security</u>			
<i>Passed-Through State Department of Military Affairs:</i>			
97.042	Emergency Management Performance Grants	PON2 095-15000006541	\$ 42,984
Total U.S. Department of Homeland Security			42,984
Total Expenditures of Federal Awards			\$ 927,481

**Tested as Major Program or Cluster

DAVIESS COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2015

Note 1- The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Daviess County, Kentucky and is presented on a regulatory modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2- Determination of Major Program

The Type A program for the fiscal court is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2015 or were deemed high risk. There was one Type A program. The major program tested was: CFDA # 93.563 Child Support Enforcement.

Note 3- Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2015.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Al Mattingly, Daviess County Judge/Executive
Members of the Daviess County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Daviess County Fiscal Court for the fiscal year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Daviess County Fiscal Court's financial statement and have issued our report thereon dated December 07, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Daviess County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Daviess County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Daviess County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Daviess County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2015-001.

County Judge/Executive and Jailer's Responses to Finding

The Daviess County Judge/Executive and Jailer's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The County Judge/Executive and Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

December 07, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Al Mattingly, Daviess County Judge/Executive
Members of the Daviess County Fiscal Court

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited Daviess County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Daviess County Fiscal Court's major federal programs for the year ended June 30, 2015. Daviess County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Daviess County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Daviess County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Daviess County Fiscal Court's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Daviess County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Report on Internal Control over Compliance

Management of Daviess County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Daviess County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Daviess County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

December 07, 2015

DAVISS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2015

DAVIESS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Type of auditor's report issued: *Unmodified opinion*

Internal control over financial reporting:

Are any material weaknesses identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Federal Awards

Type of auditor's report issued on compliance for major programs: *Unmodified opinion*

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a) ?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

CFDA Number and Name of Federal Program or Cluster

93.563 Child Support Enforcement

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Is the auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

DAVISS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit

2015-001 The Daviess County Jail Failed To Implement Adequate Internal Controls Over Commissary
 And Inmate Funds

The Daviess County Jail had the following internal control weaknesses and non compliance in FY 2015:

- Deposits were not made daily. Each cash drawer is batched out daily and the employee places the money collected along with a cash-out receipt in a locked safe. This money is collected three times a week by the bookkeeper and a deposit is prepared and taken to the bank.
- Jail vendor employees are handling inmate funds with no oversight. The Jail has not implemented any internal controls to review the work of the jail vendor employee who handles inmate monies. The jail vendor is a service organization and did not have a service organizational controls report performed by an independent auditor.
- Daily check out sheets did not properly separate fees by category. The daily check-out sheets used by the jail are cash logs of each cash drawer's deposit, but the bookkeeper also attaches supporting documentation. The supporting documentation is a list of all the receipts that were collected; however, the listing does not show what the receipt was collected for.
- Daily check-out sheets did not agree to supporting documentation attached to the daily checkout sheets. Auditors tested commissary daily checkout sheets for one week and noted there were three deposits made during the period tested. Of these three deposits the auditor noted five instances in which a "cash-out receipt" was included on the supporting documentation but was deposited in the prior deposit. There were two instances in which supporting documentation showed a deposit for the lobby kiosk even though these funds are deposited by Trinity Services and not included in the bookkeeper's deposit. Additionally there was one instance in which the supporting documentation report was printed prior to the transaction being complete. The transaction was included in the next deposit.

KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the County Budget Preparation and State Local Finance Officer Policy Manual requires the Jailer or assigned personnel to make daily deposits and separate individual receipts into categories listed on check- out sheets. Additionally good internal controls dictate management review of all accounting for commissary and inmate funds.

There was no management oversight to determine if any of these activities were being performed. The risk of misappropriation and inaccurate financial reporting is increased due to the lack of oversight. We recommend the Daviess County Jail deposit inmate and commissary funds daily, daily check-out sheets detail fees collected so that the fiscal court can verify inmate fees due the jail funds, have accurate supporting documentation for the daily checkout sheets, and have knowledgeable jail employees review work of vendor employees who handle inmate monies.

County Judge Executive's Response: We have confirmed that the Jailer is aware of the issue and that he is working to resolve the problem and that he will inform the County of his recommendation.

DAVIESS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

2015-001 The Daviess County Jail Failed To Implement Adequate Internal Controls Over Commissary And Inmate Funds (Continued)

Jailer's Response:

- *The Daviess County Detention Center will begin making deposits daily during the business week.*
- *The above mentioned vendor (Trinity Services) is a licensed Money Transmitter in the state and is regulated at both the state and federal level, including the Commonwealth of Kentucky Department of Financial Institutions, in connection with all inmate deposits that are processed by this vendor. The vendor's financials are audited on an annual basis and also has an independent audit conducted annually in relation to their Money Transmitter services including inmate deposits. This vendor is also subject to annual exams by Wells Fargo and various State audits. This vendor is registered with Financial Crimes Enforcement Network (FinCEN) and regulated by them as well. They also adhere to all Office of Foreign Asset Controls (OFAC) requirements. All monies collected by this vendor through their services are deposited in real time to inmate accounts with a receipt or confirmation number being provided to the depositor. In addition to the verification of acceptance by the depositor, the inmate can immediately view the receipt of the transaction into their account using in-pod kiosks. The Daviess County Detention Center has many controls available within the trust fund accounting system and these controls are frequently utilized to monitor these transactions to include: viewing and reprinting of all receipts, timeframe based transaction reports, deposit reports showing the time and total of all vendor made deposits (in order to verify to the inmate reports totals for the same time period). The vendor guarantees the deposit of all funds to both the inmate account as well as the trust account through all of their services. However, the jail is working with the vendor to be in complete compliance with the auditor's recommendation.*
- *With each inmate transaction for incoming money, the money is put into the inmate's commissary account. Only after it is entered into the accounting system as commissary account money, does it get collected towards debt. All incoming inmate monies are therefore commissary account money. The Daviess County Detention Center will note the transactions as such. Furthermore, a system will be implemented in which all cash drawers will be closed out just prior to collecting money. Additionally, no further transactions will be added until the bookkeeper has completed collecting all money and a list will be printed illustrating what the receipts was collected for. This will alleviate extra or missing transactions appearing in the wrong day's report.*
- *The Daviess County Detention Center will implement a system to check the accuracy of the reports being provided for the daily deposits. Prior to the deposit being made, a separate staff member will check and approve the reports to make sure there is no missing information and the backup is complete for each deposit.*

I would like to mention that even though the procedures did not necessarily meet the auditor's procedures, there were no inmate or jail funds determined to be missing or unaccounted for due to errors in reporting.

We will immediately begin making deposits daily during the business week. The jail will establish adequate internal controls over commissary and inmate funds to be in compliance with auditor's standards.

DAVIESS COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

DAVIESS COUNTY FISCAL COURT

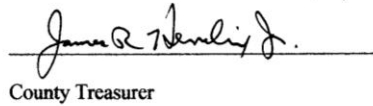
**For The Fiscal Year Ended
June 30, 2015**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
DAVIESS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Daviess County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge/Executive


County Treasurer

